



U.S. DEPARTMENT OF ENERGY  
Office of Electricity Delivery and Energy Reliability  
Infrastructure Security and Energy Restoration

# ENERGY ASSURANCE DAILY

Monday, July 3, 2006

## Major Developments

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### **Update: Coast Guard Allows Limited Oil Tanker Traffic on Calcasieu Ship Channel**

Late Friday, the U.S. Coast Guard said that deep draft vessels (which include oil tankers) were expected to begin moving into the Calcasieu Ship Channel on Saturday for first time since the waterway was shut on June 20 to clean up an oil spill. In a release on Sunday, the Guard said that six vessels transited safely into the port and three were expected to transit outbound. Commercial traffic is still under limited and controlled conditions but on Friday the Coast Guard told Bloomberg News that the decision about when to return the channel to normal operations would be made on Saturday. The Coast Guard also said that normal operations could be achieved sooner than the five to seven days that they had previously anticipated, as milder weather has aided the cleanup. Three Lake Charles refineries, which make up about 4 percent of total U.S. refining capacity, had been cut off from receiving waterborne crude supplies during the channel's closure. The refineries were forced to reduce production and the Department of Energy approved crude oil loans from the Strategic Petroleum Reserve to assist two area refiners. On Friday, Platts reported that one of the area refineries, Calcasieu Refining Co.'s 85,000 b/d facility, was running at 20 percent of capacity, down from the 25 percent that they reported earlier. Calcasieu Refining Co. cannot be helped by an SPR loan because its refinery is not connected to the pipeline system through which SPR crude is delivered. The Coast Guard has cleaned up most of the estimated 47,400 gallons of spilled oil mix.

Bloomberg, 20:11 June 30, 2006

Reuters, 19:33 June 30, 2006

<http://www.d8publicaffairs.com/go/doc/425/123842/>

<http://www.kplctv.com/Global/story.asp?S=5106944&nav=0nqx>

<http://www.washingtonpost.com/wp-dyn/content/article/2006/07/01/AR2006070100078.html>

<http://www.platts.com/Oil/News/7569971.xml?p=Oil/News&sub=Oil>

### **Update: Minnesota Pipe Line Resumes Limited Operations on Repaired Pipe June 30**

Late Friday, Minnesota Pipe Line announced that it had completed repairs on its crude oil pipeline that ruptured on June 27, interrupting service on its system near Little Falls, Minnesota and raising supply concerns at two Minneapolis-area refineries with a combined processing capacity of 350,000 b/d. The 300,000 b/d Minnesota Pipe Line system, which is made up of two parallel pipelines, is the primary source of crude supply for the refineries. The unaffected pipeline resumed operations on June 29. Neither of the two refineries reported any material impact to production. The cause of the pipeline leak has not yet been determined.

Reuters, 22:09 June 30, 2006

<http://biz.yahoo.com/bw/060630/20060630005593.html?v=1>

### **Heavy Storms Hit Delaware Valley Petroleum Facilities July 3**

#### **OPIS Says Crude Unit at Philadelphia Refinery Still Out**

Severe storms along the East Coast on Sunday night were to blame for problems at petroleum facilities along the Delaware River last night. OPIS reports that lightning struck a products' tank terminal at Sun's 355,000 b/d Philadelphia refining complex but there was no explosion. OPIS also reports that the Philadelphia refinery's crude distillation unit has been down since last week for repairs (Reuters also reported this news on June 29 but was unable to confirm the incident). As the EAD reported on June 29, the crude unit's capacity is 200,000 b/d. Last night's heavy storms also caused electrical problems that forced Major's terminal in Philadelphia to shutdown until further notice.

OPIS Alert, 12:13 July 3, 2006

### **40,000 Customers in Washington, D.C.-area Without Power July 3**

#### **19,000 Customers in Philadelphia-area Without Power July 2**

As of 5 a.m. this morning, 40,000 Dominion, Pepco and BG&E customers were without power in the Washington, D.C. metropolitan area after electrical storms hit the region last night. Further up the east coast, 19,000 PECO in Philadelphia were without power 3.5 hours after storms downed power lines last night.

<http://www.washingtonpost.com/wp-dyn/content/article/2006/07/03/AR2006070300187.html>

[http://www.philly.com/mld/inquirer/news/local/states/pennsylvania/counties/philadelphia\\_county/philadelphia/14956427.htm](http://www.philly.com/mld/inquirer/news/local/states/pennsylvania/counties/philadelphia_county/philadelphia/14956427.htm)

### **Pinnacle West's 1,270 MW Palo Verde 3 Nuke Unit in Arizona Shut July 1**

The unit shut after a leak of non-radioactive water. A Pinnacle West spokesman says the unit should be back online today (June 3).

Bloomberg News, July 3, 2006

### **SCE's 1,080 MW San Onofre Nuke Unit in California Reduced to 85 Percent July 2**

The unit was reduced to repair a water condenser.

Bloomberg News, 13:18 July 3, 2006

### **Southern's 888 MW Farley 1 Nuke Unit in Alabama Shut June 30, Restarts July 2**

The unit shut over the weekend due to valve problems but restarted July 2 and is in the process of returning to full power. At 8 a.m. today (July 3) the unit was operating at 68 percent.

Bloomberg News, 11:37 July 3, 2006

### **Entergy's 680 MW Pilgrim 1 Nuke Unit in Mass. Returns to Full Power July 3**

The unit was reduced to rearrange control rods in the unit.

Bloomberg News, 09:59 July 3, 2006

### **Nevada Power Company to Build 1,500 MW Clean-coal-fired Ely Energy Center**

The company is seeking approval from Public Utilities Commission of Nevada for the Ely Energy Center project and for a 250-mile transmission link between the southern and northern Nevada. If approved, the Ely Energy Center's first 750 MW unit could be in service by 2011, with the second unit coming online in 2013.

[http://www.marketwire.com/mw/release.html\\_b1?release\\_id=140995](http://www.marketwire.com/mw/release.html_b1?release_id=140995)

## **Petroleum**

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### **Canadian Crude Pipelines Could Hit Capacity by 2008 – NEB**

According to Canada's National Energy Board, Canadian oil pipelines could face capacity constraints by 2008 due to a surge in output of heavy crude produced from Alberta's oilsands. In addition, demand for natural gas, particularly to fuel oilsands operations, will pose new challenges for gas pipelines. Canada supplied 16.1 percent of total U.S. oil imports in 2005 and total imports from Canada have grown by 10 percent for the first three months of this year compared with the same period last year.

<http://calsun.canoe.ca/Business/2006/07/01/1663257-sun.html>

<http://www.theglobeandmail.com/servlet/story/LAC.20060701.RTICKER01-5/TPStory/National>

### **Oil-Service Strike in Norway Set to Hurt Oil Drilling and Maintenance Projects**

A strike among oil-service workers in Norway will affect more than 50 planned drilling and well maintenance operations in the next few weeks according to Nopef, a labor union in the country. Activity has already halted at two rigs: the Snohvit field and the Kristin field, which are both operated by Statoil. According to the Norwegian Oil Industry Association, which represents employers, the strike is delaying about 37,000 barrels of oil and gas production, as new wells aren't drilled and some maintenance is stopped. Norway supplied 1.9 percent of total U.S. oil imports in 2005.

Reuters, July 3, 2006

## U.S. Navy Will Ensure Free Flow of Oil Through Strait of Hormuz

Vice Admiral Patrick M. Walsh, who is in charge of U.S. Naval Forces Central Command, told a Reuters interviewer that the U.S. military would ensure the free flow of oil through the Strait of Hormuz if the passage was threatened. Iranian leaders have repeatedly hinted at disrupting international oil flows through the strait, as pressure has mounted against their nuclear weapons program. The Strait of Hormuz is the world's most important crude oil choke point with 16-17 million barrels of crude oil and about 2 million barrels of oil products transiting its waters daily. Iraq, Kuwait and Saudi Arabia, which together supplied about 17.2 percent of total U.S. oil imports, heavily utilize the Strait of Hormuz for oil exports.

Reuters, 10:13 July 3, 2006

Reuters, 10:15 July 3, 2006

## BP Oil and Gas Output Decline Due to New Venezuelan Joint Ventures

BP's second quarter production fell by 2.5 percent to 4.01 million barrels of oil equivalent, its fourth consecutive quarter of decline. According to BP, the drop was mainly the result of divestments, primarily the forced shift in its Venezuelan assets to state-controlled joint ventures. Earlier this year, Venezuela required all foreign companies pumping oil in Venezuela to transfer their projects to joint-ventures giving state oil company PdVSA the controlling stake. Venezuela supplied 11.7 percent of total U.S. oil imports in 2005.

[http://biz.yahoo.com/ap/060703/britain\\_bp.html?.v=6](http://biz.yahoo.com/ap/060703/britain_bp.html?.v=6)

## Natural Gas

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Nothing to report.

## Other News

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### BLM Drilling Permit Backlog Slows Energy Production – Senate Testimony

According to testimony heard by the U.S. Senate, the Energy Policy Act of 2005 has expedited the application process for drilling permits by removing bureaucratic hurdles, but the sudden increase in demand for new requests has outpaced the ability of the Bureau of Land Management to process those requests. By law, the BLM is expected to approve or reject drilling applications within 30 days but the process still takes about 90 days on average. The Director of BLM testified that natural gas demand is expected to climb by 25 percent over the next 10 years.

Testimony: [http://energy.senate.gov/public/index.cfm?FuseAction=Hearings.Hearing&Hearing\\_ID=1570](http://energy.senate.gov/public/index.cfm?FuseAction=Hearings.Hearing&Hearing_ID=1570)

<http://www.upi.com/Energy/view.php?StoryID=20060628-061918-5335r>

## Energy Prices

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U.S. Oil and Gas Prices			
July 3, 2006			
	Today	Week Ago	Year Ago
<b>CRUDE OIL</b>			
<b>West Texas Intermediate U.S.</b>	73.85	71.65	58.75
\$/Barrel			
<b>NATURAL GAS</b>			
<b>Henry Hub</b>	5.84	5.89	7.00
\$/Million Btu			

Source: Reuters

## Energy Notes

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### Cheney Urges Alaska to Take Prompt Action on Natural Gas Pipeline

<http://www.platts.com/Natural%20Gas/News/7570348.xml?p=Natural%20Gas/News&sub=Natural%20Gas>

## **Mexico Presidential Election is Razor Close, Both Candidates Claim Victory**

Reuters, 12:21 July 3, 2006

<http://www.platts.com/Oil/News/9048423.xml?p=Oil/News&sub=Oil>

<http://www.washingtonpost.com/wp-dyn/content/article/2006/07/03/AR2006070300639.html>

## **FPL Announces Route for New Transmission Line in Florida**

[http://home.businesswire.com/portal/site/google/index.jsp?ndmViewId=news\\_view&newsId=20060630005532&newsLang=en](http://home.businesswire.com/portal/site/google/index.jsp?ndmViewId=news_view&newsId=20060630005532&newsLang=en)

## **Norsk Hydro Cuts 2006 Oil and Gas Production Target by Five Percent**

[http://today.reuters.com/stocks/QuoteCompanyNewsArticle.aspx?view=CN&storyID=2006-06-](http://today.reuters.com/stocks/QuoteCompanyNewsArticle.aspx?view=CN&storyID=2006-06-30T120008Z_01_L30895553_RTRIDST_0_ENERGY-NORSKHYDRO-TARGET-UPDATE-2.XML&rpc=66)

[30T120008Z\\_01\\_L30895553\\_RTRIDST\\_0\\_ENERGY-NORSKHYDRO-TARGET-UPDATE-2.XML&rpc=66](http://today.reuters.com/stocks/QuoteCompanyNewsArticle.aspx?view=CN&storyID=2006-06-30T120008Z_01_L30895553_RTRIDST_0_ENERGY-NORSKHYDRO-TARGET-UPDATE-2.XML&rpc=66)

## **AmerenUE Finds Radioactive Particles Along Pipeline at Callaway Nuke Plant in Missouri**

<http://www.belleville.com/mld/belleville/news/state/14942655.htm>

## **Shell WindEnergy Announces 40 MW Wind Farm in Hawaii, First in State**

<http://biz.yahoo.com/prnews/060630/daf036.html?.v=5>

## **Venezuela Briefly Closes PetroCanada Offices Over Tax Dispute**

Reuters, 19:31 June 30, 2006

## **Russian Oil Output Hits Record High in June; 9.69 Million b/d**

Reuters, 08:28 July 3, 2006

## **Links**

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***This Week in Petroleum*** from the Energy Information Administration (EIA)

<http://tonto.eia.doe.gov/oog/info/twip/twip.asp>

Updated every Wednesday.

***Weekly Petroleum Status Report*** from EIA

[http://www.eia.doe.gov/oil\\_gas/petroleum/data\\_publications/weekly\\_petroleum\\_status\\_report/wpsr.html](http://www.eia.doe.gov/oil_gas/petroleum/data_publications/weekly_petroleum_status_report/wpsr.html)

Updated after 10:30 AM & 1:00 PM EST every Wednesday.

***Natural Gas Weekly Update*** from EIA

<http://tonto.eia.doe.gov/oog/info/ngw/ngupdate.asp>

Updated after 2:00 PM EST every Thursday.

## **ENERGY ASSURANCE DAILY**

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<http://www.oe.netl.doe.gov/index.aspx>.

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